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September 8, 2011

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**BAUCUS, GRASSLEY APPLAUD PASSAGE OF BILL TO INCREASE TAX FAIRNESS,  
DETER TAX SHELTERS BY ELIMINATING PATENTS ON TAX STRATEGIES**

*Finance Senators Say All Taxpayers Have a Right to Legal Methods to Reduce Tax Bills*

**Washington, DC** – Senate Finance Committee Chairman Max Baucus (D-Mont.) and senior Committee member Chuck Grassley (R-Iowa) today applauded the Senate’s passage of their bill to protect taxpayers and fight tax evasion, which was included in the larger patent reform bill. The Baucus-Grassley legislation prevents any individual or firm from patenting tax strategies, which could otherwise subject taxpayers to royalty fees for using the patented strategy when filing their taxes. The bill also stops tax patents from providing windfalls to lawyers and patent holders by preventing them from holding exclusive rights to use loopholes, which could provide some businesses with unfair advantages over their competitors. Now that both the House and Senate have passed the patent reform bill, it goes to the President for his signature.

**“Unfair patents can give a small number of people a stranglehold on tax strategies that should be open to anyone,”** Baucus said. **“This bill will bring fairness to the system, and it will deter the use of tax shelters to evade the responsibility we all share. Our ongoing tax reform effort will continue cleaning up the code, and it can create jobs and be a major boost to our economy.”**

**“Tax strategy patents are on the rise. More and more legal tax strategies are unavailable or more expensive for more and more taxpayers,”** Grassley said. **“It’s important to protect intellectual property rights for true tax preparation and financial management software. At the same time, we have to protect the right of taxpayers to have equal access to legal tax strategies. That’s necessary for fairness and tax compliance. We need more tax compliance, not less.”**

In order to obtain a patent, an inventor must show, among other things, that the claimed invention is novel and non-obvious and has a practical application. In 1998, the courts determined that a method of doing business may be patentable, and soon thereafter, the U.S. Patent and Trademark Office began granting patents for various tax-related inventions.

Tax practitioners have long decried the issuance of these tax-strategy patents because they are unlikely to be novel, given the public nature of the tax code, and undermine the fairness of the Federal tax system by removing from the public domain particular ways of satisfying a taxpayer’s legal obligations. The bill expressly provides that a strategy for reducing, avoiding or deferring tax liability cannot be considered a new or non-obvious idea, and therefore, a patent on a tax strategy cannot be obtained.

Baucus and Grassley [have long been](#) leaders in congressional [efforts to protect taxpayers](#) and prevent the patenting of tax strategies that result in extra costs for taxpayers.